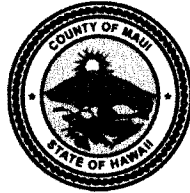


ALAN M. ARAKAWA  
Mayor



RECEIVED

DANILO F. AGSALOG  
Director

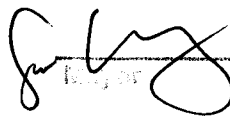
MARK R. WALKER  
DEPUTY DIRECTOR

COUNTY OF MAUI  
DEPARTMENT OF FINANCE  
200 S. HIGH STREET  
WAILUKU, MAUI, HAWAII 96793

April 11, 2017

Ms. Lynn A.S. Araki-Regan  
Budget Director, County of Maui  
200 South High Street  
Wailuku, Hawaii 96793

Honorable Alan M. Arakawa  
Mayor, County of Maui  
200 South High Street  
Wailuku, Hawaii 96793

APPROVED FOR TRANSMITTAL  
  
4/12/17

For Transmittal to:

Honorable G. Riki Hokama  
Chair, Budget and Finance Committee  
Maui County Council  
200 South High Street  
Wailuku, Hawaii 96793

Dear Chair Hokama:

**SUBJECT: FISCAL YEAR ("FY") 2018 BUDGET (FN-4) (BF-1)**

Pursuant to your letter dated April 6, 2017 to provide responses to the following requests/questions;

1. Explain the reduction of \$4,019,971 in Debt Service Interest Costs (index 907733B, sub-object 6545, on page 6-55 of the Budget Details).

*Response: The decrease of \$4,019,971 in Debt Service Interest Costs (index 907733B, sub-object 6545, on page 6-55 of the Budget Details) is primarily due to the following: a) Lower outstanding GO and SRF loan balances in the current fiscal year; b) Refunding of 2006 Series A in the 2015 GO Bond Issue, and; c) Pay-down of 2014 Series D in the current fiscal year.*

2. Explain the increase of \$5,575,489 in the Debt Service Principal (index 907741B, sub-object 6541, on page 6-56 of the Budget Details).

*Response: The increase of \$5,575,489 in Debt Service Principal (index 907741B, sub-object 6541, on page 6-56 of the Budget Details) is primarily due to the anticipated SRF loans' drawdowns in the current and ensuing fiscal years, of which principal payments are not budgeted. Some of these projects of which final loan agreements have been executed in the current fiscal year are: a) Wailuku-Kahului Wastewater Reclamation Facility Filter Modification (\$4.8M); b) Hawaiian Homes Force Main Replacement (\$2.2M); c) Kihei No. 16 Pump Station Rehabilitation and Force Main Replacement (\$3.2M); d) Phase 6 Booster Pump Upgrades (\$2.0M), e) Wailuku-Kahului Wastewater Reclamation Facility Solids Building Rehabilitation (\$1M), f) Source Generator Installation (\$920k), and; g) Wailuku Heights Tank (\$115k). Additionally, included in this amount is \$2.0M from the Department of Environmental Management's Wastewater division to assist in paying down their debt service. Also, new projects funded by the SRF loans after June 30, 2016 has a new higher interest rate of 1.25%, compared to 1.0% previously.*

3. Provide an itemized breakdown of the \$309,126 for Rentals and Facilities (index 907758B, on page 6-58 of the Budget Details).

*Response: Please refer to Attachment A.*

4. Explain the purpose of the County Federal Grant Match fund (page 6-59 of the Budget Details).

*Response: As the County budget cycle does not sync with the Federal budget cycle and Federal grants typically require hard cash match contributions for available federal dollars and other resource opportunities, the proposed County Grant Match Fund would be utilized to provide departments with matching funds should a federal grant opportunity arise in which the department was not aware of at the time the county budget was formulated.*

*The beneficial outcomes that a \$100,000 federal grant match fund could provide to the County would be to leverage at a minimum of approximately \$400,000 of additional federal funds (25% cash match to federal grant) or equivalent resources and to a maximum of up to \$1,000,000 (10% cash match to federal grant).*

*While one might contend that the department interested in applying for a federal grant could seek a budget amendment to secure matching funds, we believe that the \$100,000 appropriation request for county grant matching funds would be more efficient for the following reasons:*

- 1) *The matching funds would provide a decrease in time and effort spent on preparing numerous budget amendments for every federal grant opportunity being considered that requires matching funds.*
  - 2) *Having the matching funds readily available for department use would reduce the need for carryover savings that would otherwise be used for other priorities.*
5. Provide a breakdown of the \$41,600,498 in Contribution to ERS Operations (index 907642B, sub-object 6521, on page 6-53 of the Budget Details).

*Response: The \$41,600,498 breakdown is as follows:*

\$ 36,735,639	<i>FY18 estimated ERS Contribution (17% general, 25% police/fire)</i>
\$ 4,864,859	<i>ERS Excess Pension Cost Bills (FY15 \$1,773,652, FY16 \$1,091,207, FY17/FY18 estimated \$1,000,000 each)</i>
<u>\$ 41,600,498</u>	

6. Does the request for the Employer's Share HPE Health Fund (index 907709B, sub-object 6522, on page 6-53 of the Budget Details) continue to support 60 percent of the cost of medical premiums for employees?

*Response: Yes, this amount does support 60 percent of the cost of medical premiums. However, when the budget was formulated, the FY 2018 estimated premium increase was not known and the FY 2017 7.0% increase was used in the FY 2018 computation. Since then, the EUTF has published their FY 2018 rates and as such, reflects a 9.1% increase as opposed to the 7.0% increase used.*

Thank you for the opportunity to respond to your inquiry. Should you have any questions, please feel free to contact me at Ext. 7475.

Sincerely,



 **DANILO F. AGSALOG**  
Finance Director

DFA:st

Attachments

## ATTACHMENT A

**CW Rentals & Facilities FY 2018 Budget Forecast  
Index Code 907758B**

Subobject	FY 18 BUDGET
6120 Electricity	100,800.00
Svc Ctr (Ste A-18)	21,600.00
Svc Ctr (Ste A-14)	79,200.00
6129 Other Services	
6136 R&M Grounds (1)	35,100.00
Sandhills Estates	2,100.00
Fairways at Maui Lani	27,000.00
Maui Business Park	6,000.00
6137 R&M Mach	
6138 R&M Services/Contract	
6139 R&M Others (2)	10,500.00
6150 Sewer (3)	3,846.00
576 Front	333.00
578 Front	333.00
66 N Market	2,100.00
Maui Business Park	1,080.00
6178 Water (3)	9,660.00
120 Prison	300.00
576 Front	300.00
578 Front	300.00
66 N Market	3,000.00
680 Wharf	4,800.00
Puumakani Meter 1	480.00
Puumakani Meter 2	480.00
6221 Miscellaneous	
6235 Rentals	
6537 Miscellaneous	
6558 Settlements & Judgements	
6559 Rentals	117,220.00
Catholic Church Parking Lot (4)	25,000.00
John Richardson Parking Lot (4)	45,000.00

ATTACHMENT A

	Maui Lani Community Assn (5)	42,612.00	
	Sandhills Estates (6)	4,608.00	
6570	Water (7)		32,000.00
	Total		<u>309,126.00</u>
	Budget FY 2017		309,126.00

Notes:

- (1) Landscaping Contracts and Repairs
- (2) Maui Business Park Maintenance Fees
- (3) Water and Sewer rates are based on FY 17 increases
- (4) Per Lease Agreement: Richardson - \$3,750/mo until 7/31/19 & Catholic Church - \$2,083.32/mo
- (5) MLCA Monthly Dues - 50 Fairways Lots & 3 Sandhills Estates
- (6) Sandhills Estates Homeowners Monthly Assn Dues
- (7) Maui Business Park - Potable and Non-Potable Water